



U.S. General Services Administration

Federal Acquisition Service

The Federal Strategic Sourcing Initiative (FSSI)

Process Overview

Successful strategic sourcing programs are based on understanding the commodity across three dimensions

Customer Needs

- What are customer's pain points, and what are their root causes?
- What does the solution need to achieve to be adopted by customers?

Drivers of TCO

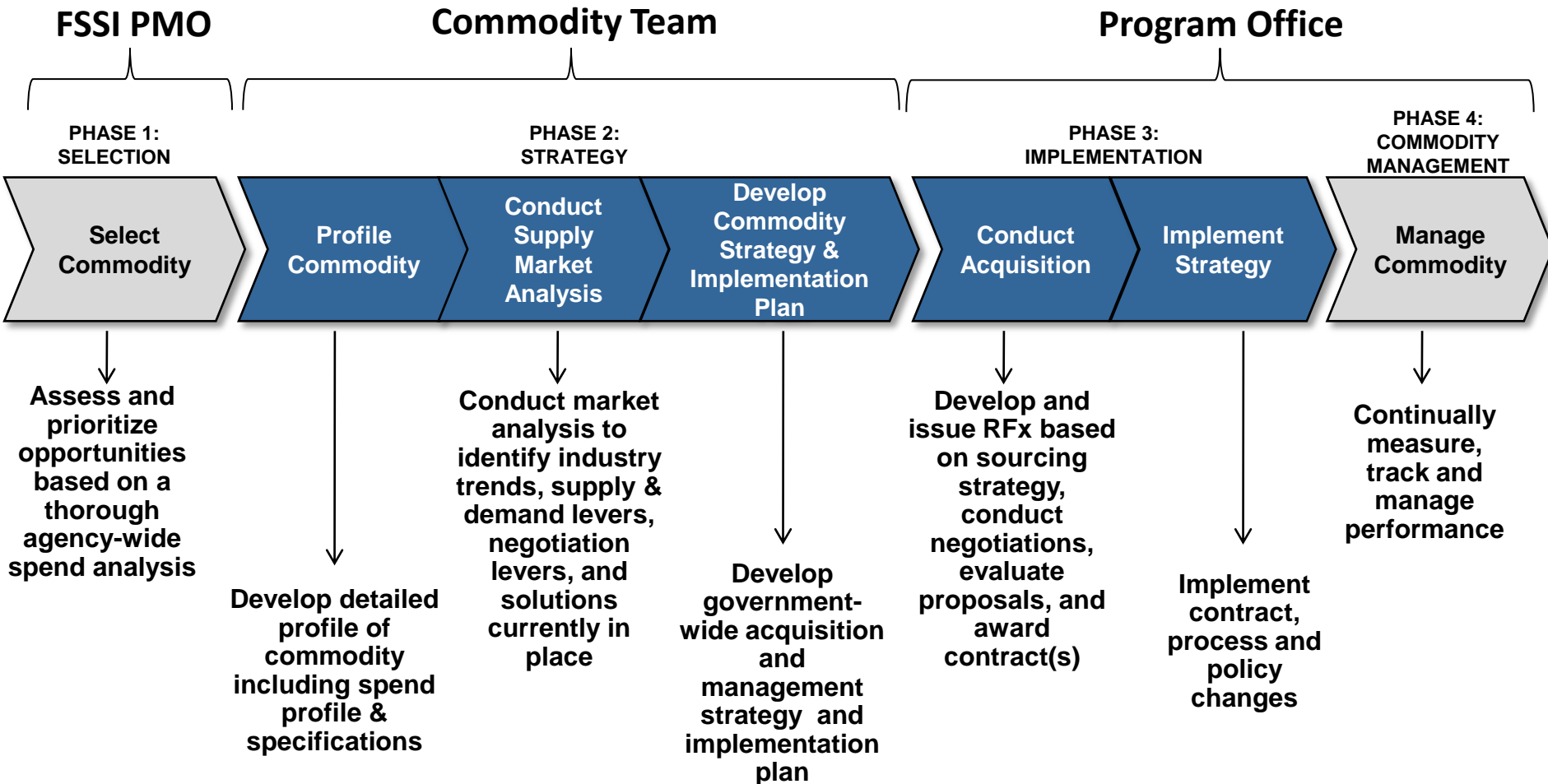
- How is the commodity bought?
- How is the commodity used?
- What business processes drive use of the commodity?

Market Trends

- How have commercial firms improved the TCO of the commodity?
- What market trends are impacting suppliers?

The FSSI Strategic Sourcing process provides a structured approach to analyzing a commodity and developing/ implementing a Commodity Strategy

GOVERNMENT-WIDE STRATEGIC SOURCING PROCESS – HIGH LEVEL OVERVIEW



Strategic sourcing commodity strategies should focus on those drivers that yield the most benefit, aligning level of effort with expected return

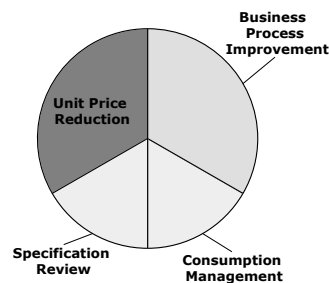
- Different commodities derive their benefits from strategic sourcing in different ways
- The objectives of a commodity strategy, and therefore the level of effort invested in a strategic sourcing initiative, should focus on those areas where the most benefit impact can be realized

EXAMPLES OF SOURCES OF STRATEGIC SOURCING BENEFITS

COMMODITY A



COMMODITY B



- Commodity A derives benefit primarily through unit price reduction and some initial specifications review
- Commodity B is a more complex commodity and leverages all drivers to maximize the benefit of the strategic sourcing process for this commodity

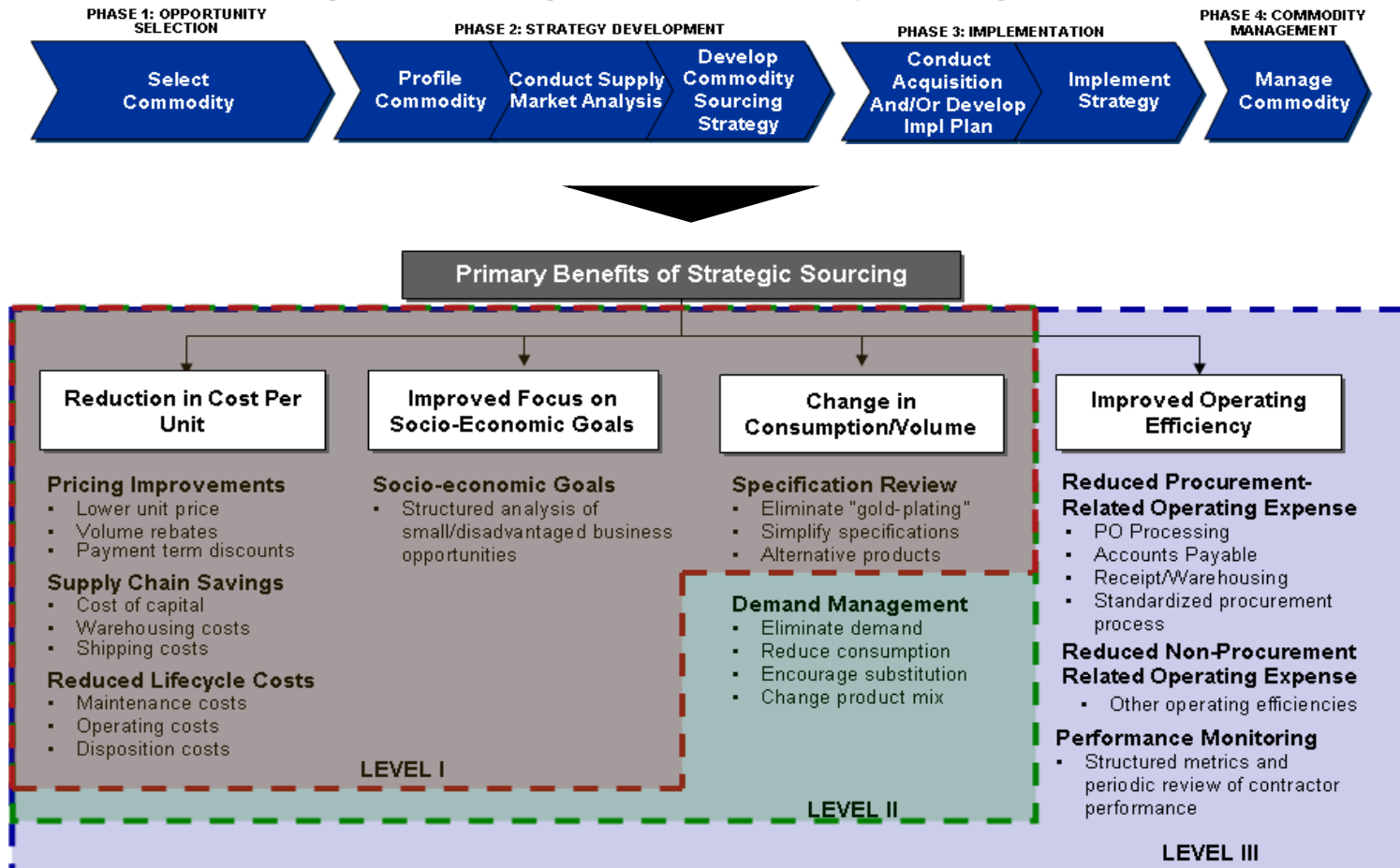
STRATEGIC SOURCING LEVELS OF FOCUS

Drivers of Benefits	LEVEL I	LEVEL II	LEVEL III
Unit Price Reduction	Red	Green	Blue
Specification Review	Red hatched	Green	Blue
Consumption Management	White	Green	Blue
Business Process Improvement	White	White	Blue

Shaded areas denote commodity strategy focus

The focus within each step of the strategic sourcing process can then be tailored to target the appropriate set of benefits

FSSI Strategic Sourcing and Commodity Management Process



Although each program is unique, there are common objectives and activists across all Commodity Teams

Phase Objectives

Key Activities

Profile Commodity

Understand the costs, value, and business requirements of the commodity

- Define program scope
- Conduct spend analysis
- Analyze current processes and business requirements

Conduct Supply Market Analysis

Understand competitive dynamics of the market and commercial best practices for managing TCO

- Segment supply market
- Conduct value chain analysis
- Analyze commercial best practices

Develop Commodity Strategy & Implementation Plan

Develop the optimal approach for lowering commodity TCO based on preceding analyses

- Identify objectives & tactics for lowering TCO
- Develop business case
- Develop implementation plan

Conduct Acquisition

Develop best-in-class contract vehicles to support commodity strategy

- Develop RFx / SOO
- Develop pricing analysis approach based on TCO analysis
- Evaluate, negotiate, and award contract

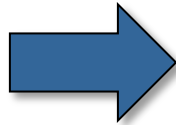
Implement Strategy

Drive agency usage of the solution and ensure value is achieved

- Execution communication plan
- Develop & distribute agency business cases
- Implement value-add components of Commodity Strategy

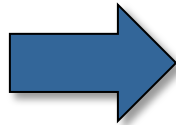
COMMON CHALLENGES

Difficulty achieving active agency participation



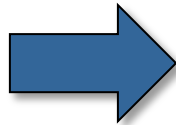
- Conduct frequent 1-on-1 discussions to encourage participation from individuals who may not feel comfortable speaking out in a group setting
- Use active team facilitation techniques
- Continue agency outreach throughout the process

Commodity Teams can rapidly lose momentum if constant progress is not made



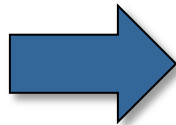
- Conduct regular meetings with Commodity Team (every 2 – 3 weeks)
- Send frequent communications between team meetings
- Develop timelines that are both aggressive and achievable

Strategy development is an ambiguous process which must be conducted with imperfect information



- Identify what information is critical (vs. 'nice to have') to develop a the commodity strategy
- Team leaders must balance driving the development of strategy with ensuring agency participation

Detailed data is typically either not available or is difficult to collect



- Make data requests early in the process
- Develop an estimation approach when hard data is not available
- Ensure data is collected as part of the program to ensure the second generation solution can be more data driven